



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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CONTACT: Heather Murphy (602) 542-0844

CORPORATION COMMISSION SANCTIONS SCOTTSDALE FOREIGN CURRENCY FIRM

PHOENIX – On Tuesday, the Arizona Corporation Commission ordered Global Harvest Corp., a Scottsdale based foreign currency trading firm, its president, David Patten, and an employee, Albert Tabah, to stop selling unregistered foreign currency trading accounts. It also ordered them to pay a penalty of \$20,000.

According to the Order, in June 2000, Global Harvest ran an advertisement in a local business journal soliciting investors. In response to that ad, a Commission investigator contacted Global Harvest and held meetings with Tabah and Patten. In those meetings, Global Harvest, Patten and Tabah offered the investigator an unregistered foreign currency investment. The Commission then issued a Temporary Cease and Desist Order against the Respondents on September 12, 2000, temporarily barring them from offering foreign currency trading accounts in Arizona. The Commission's Temporary Order was issued before any Arizona investors lost any money with the company.

After the Temporary Order was issued, Global Harvest sued the Commission in United States District Court arguing that Arizona law was preempted by the federal Commodity Exchange Act (CEA) and seeking an injunction prohibiting the Commission from proceeding against Global Harvest. As part of this Order, Global Harvest will dismiss the lawsuit against the Commission. Global Harvest, Patten and Tabah also agree that they will never offer or sell foreign currency contracts in Arizona.

The foreign currency or forex market is a cash inter-bank or inter-dealer market established in 1971 when floating exchange rates began to materialize. The simplest definition of foreign exchange is the changing of one currency to another. Participants in the market consist of central and commercial banks, other financial

institutions and traders. Forex is not a "market" in the traditional sense. There is no centralized location for trading activity. Trading occurs over the telephone and through computer terminals at hundreds of locations worldwide, similar to NASDAQ. There are two distinct purposes for entering forex transactions: for delivery of foreign currency and for speculative or investment purposes where delivery of currency is never contemplated.

Mark Sendrow, Director of the Arizona Corporation Commission Securities Division, states "in recent years, there has been a considerable rise in fraud attributable to foreign currency offerings. Traders have attempted to sell forex investments to the public, arguing that the CEA barred both the United States and state governments from regulating them." Noting the Arizona Corporation Commission's authority under the State's securities laws, Sendrow added, "the Commission has previously determined that forex trading accounts are securities and must be registered with it. Thus it has aggressively sought to protect the investor public in this area." Additionally, recent amendments to the CEA, signed into law by President Clinton on December 21, 2000, clarify that the federal Commodity Futures Trading Commission can also regulate retail forex trading.

To find out more about forex and currency trading, visit the Securities Division web site at www.ccsd.cc.state.az.us or call the Division at (602) 542-4242 or toll free at 1-877-811-3878.

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